ABEL evaluates the capability of a firm to pay a specified penalty or environmental cleanup contribution. The model is specifically designed to evaluate the ability to pay of corporations. Corporations may file a Form 1120, 1120 A, or 1120 S federal income tax return. Under some circumstances, an analyst may also wish to use ABEL to evaluate the ability to pay of a partnership.[1] Partnerships file a Form 1065 federal income tax return.

ABEL is designed to accept data directly from Forms 1120, 1120 A, 1120 S, and 1065. The firm's most recent tax data are required for ABEL to produce a reliable analysis. If the firm re-filed any forms for the years that you are using, it is essential that you obtain the most up-to-date version of these forms. In addition, all returns submitted for an ABEL analysis must be signed. One of the key advantages of using tax returns is that the violator has stated, under the penalty of perjury, that the information provided on the tax form is true. Without the signature, you have no guarantee that this information is accurate. If the violator no longer has signed copies, the violator can obtain these from the IRS.[2] Alternatively, you may obtain a violator's tax returns directly from the IRS if you obtain the firm's permission and submit a Form 8821 to your nearest IRS office. This form must be signed by the violator and submitted within 30 days of the signature. EPA advises enforcement personnel to ask the violator to submit a Form 8821 even if you receive signed returns due to the marked increase in the submission of fraudulent tax returns. The analyst can use the tax returns provided by the firm to assess its preliminary ability to pay a Superfund contribution or environmental penalty. However, the analyst should confirm the accuracy of the returns submitted by the firm against the returns provided by the IRS.

---

[1] By law, the individual partners are generally liable for a partnership's environmental obligations. Therefore, it is usually advisable to analyze the ability to pay of each partner in addition to that of the partnership. If the partner is a corporation, ABEL should be employed using three to five years of the corporate partner's tax returns. If the partner is an individual, the Individual Ability to Pay Model should be used instead. Please consult Jonathan Libber, EPA's BEN/ABEL coordinator, for more information at 202/564-6102 or EPA's Economic Support Helpline at 888/ECONSPT (via e-mail at benabel@indecon.com).

[2] Please contact Jonathan Libber (202/564-6102) or the Economic Support Helpline (888/ECONSPT) for more information.

In order to evaluate a firm's financial condition using ABEL, you must understand its relationship to other business entities. For instance, a violator may be the subsidiary of a large parent corporation, or may be one of several closely related "sister" firms. While the violator may be filing its own tax returns, it is easy for another entity to make the violator look artificially poor by manipulating the violator's finances. In these situations, Agency personnel should insist on seeing tax returns and other relevant financial reports from all related firms.

This chapter provides a screen-by-screen explanation of the model. Screens from a hypothetical case accompany the discussion. Each explanation describes how to maneuver within the Windows™ environment, the data inputs required by the screen, and the model's response to the inputs. Section A describes the preliminary case inputs required for the model's analysis, including basic information about the firm and information required from the firm's federal income tax forms. Section B discusses the firm's data entry screens. The user enters information from the firm's income tax forms as well as additional case information not contained in the firm's tax returns (e.g., penalty or contribution amount). Section C discusses the mechanics of conducting and printing an analysis. (A more thorough discussion on how to interpret the analysis is provided in Chapter 4.) Section D discusses the procedures for modifying model runs and case details.

A.   PRELIMINARY CASE SCREENS

Access the ABEL Model by double-clicking the "ABEL Model" icon located on your computer's program manager screen. After accessing the model, three preliminary case screens will appear successively.

1.   <u>Welcome Screen</u>

The first screen that appears is the "Welcome" screen, as shown in Exhibit 3-1. The first time you use the model, you will be required to provide a) your user name, b) the EPA region under which the case falls, and c) the location of the output directory where you would like all output files stored on your computer system.

In the example provided in Exhibit 3-1, the user name is "Jon Green." For your purposes, you may want to type your full name here or your initials. The EPA region is Region 8. You may select the region by clicking the down-pointing arrow to pull up a menu of choices that includes all ten EPA regions, EPA headquarters, and "Other" (for non-EPA users). Click your choice.

The directory where Jon Green's files will be stored is "C:\ABEL\GREEN\CASES." In order to select an output directory, click the downward arrow key to the right of the drive box and click the appropriate drive. Then double-click the drive in the directory box to obtain a list of directories from which you may double-click the one you choose. You may then select subdirectories by double-clicking the name of your selected directory and choosing a subdirectory from the list that appears. ***Do not*** save your output to the same directory in which the ABEL Model is stored.

Designate a separate directory for your output. For example, before starting the model, you may wish to create a subdirectory called "CASES" within your own personal directory in which to store your output file.[3]

Whenever the user specifies a new output directory, the model will automatically issue a warning message before allowing the user to continue which alerts the user that no case files currently exist in the specified directory. The model then asks if you want to create a new case file. Clicking "Yes" allows you to create and save cases in the new directory; clicking "No" prevents you from continuing further in the model.
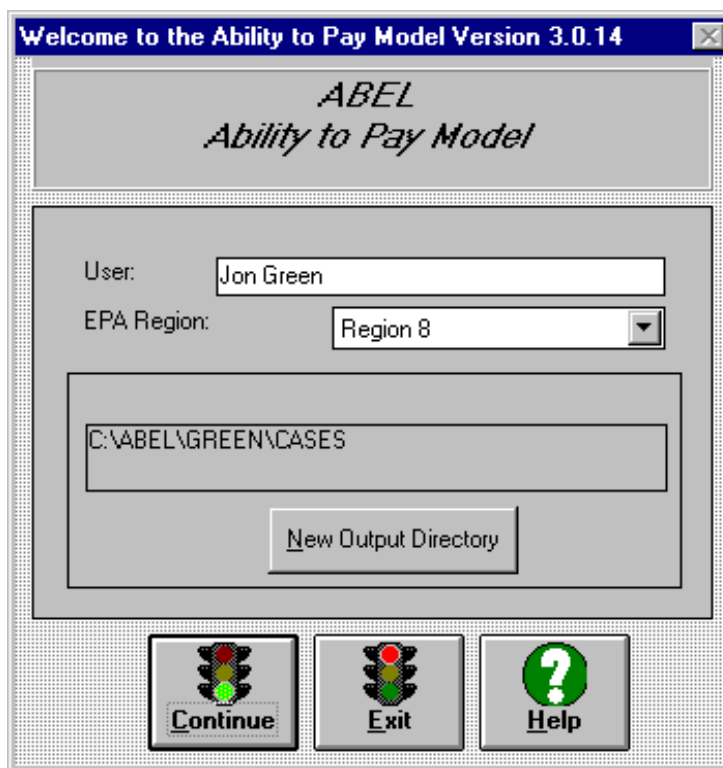
After providing this information during your first use of the model, future model runs will always show the user name and output directory you initially designated. Simply click the "Continue" button if these inputs continue to be valid. Alternatively, you can change them at any time.

---

[3] Note that the model saves all of the cases you create within a single file called "ABELCASE.MDB" in the output directory you specify in the "Welcome" screen. If you need to copy or transfer case information to other users, you should specify separate output directories in which to store such cases. In this way, you can more easily identify the appropriate "ABELCASE.MDB" file to transfer.

Exhibit 3-1

"WELCOME" SCREEN

2. **Main Screen**

The second screen that appears in the ABEL Model is the "Main" screen, as shown in Exhibit 3-2. This screen serves as the controlling screen of the program, and you execute the various stages of the model from it.

First, you need to designate the case you wish to examine. When you run the model for the first time, or have a new case to analyze, click the "New" button. This selection will trigger the "Case Description Details" screen, in which you record the basic case information (see Section 3). If, on the other hand, you have used the model and saved the associated case files, your case files will be listed in the top box. If you want to work on an existing case, click the case name to select it, and then click the "Edit" button.

In the example given in Exhibit 3-2, the analyst (Jon Green) previously entered information about six cases — "Fantastic Metal Finishing, Inc.," "Apple Manufacturing," "Anderson Associates," "Town Tool Company" and two separate runs for "Century Chemicals." If Jon Green wanted to re-examine the Town Tool case (or was interrupted before he finished entering all of the financial data

needed for the Town Tool case), he would simply move his mouse and click "Town Tool Company" to select this case. He would then move his mouse to the "Edit" button and would click it to revisit this case. If Jon Green wished to enter information for a new case, he would instead move his mouse to the "New" button and click to indicate that he wanted to begin work on a new case. Thus the next screen, allowing him to enter the case name and other information about the firm, would appear.

The "Main" screen also allows you to delete a case file. If you want to delete a case, first select the case. Then click the "Delete" button. The model will ask you if you are certain you wish to delete the case. Clicking "OK" permanently erases the case from your case files.

You may also wish to copy or export a case or group of cases. Copying cases is an efficient way to run various analyses of a single firm, in which you change one or two variables in the case input and re-run the analysis to determine the effect of altering these variables on the firm's ability to pay. Exporting cases allows you to select a particular case or group of cases and save it in a different output directory from the directory specified on the "Welcome" screen. This is useful if, for example, you have several analyses of a single firm which you would like to keep separate from other ABEL cases or if you would like to send another analyst a copy of a particular case or group of cases. The procedures for copying and exporting cases are described in Section D of this chapter.

You may also specify a new output directory for storage of your case files by clicking the "New Directory" button. Selecting this button will open a screen very similar to the "Welcome" screen. It allows you to change the directory, but not the user name or region. On this screen, you may change directories by double-clicking on the downward arrow key to the right of the drive box and clicking the appropriate drive. Click "OK" when you are finished or select "Cancel" if you do not wish to change directories. Either selection will bring you back to the "Main" screen.

Finally, to exit the ABEL Model, click the "Exit" button on the lower right-hand side of the screen. The model then closes.

Exhibit 3-2
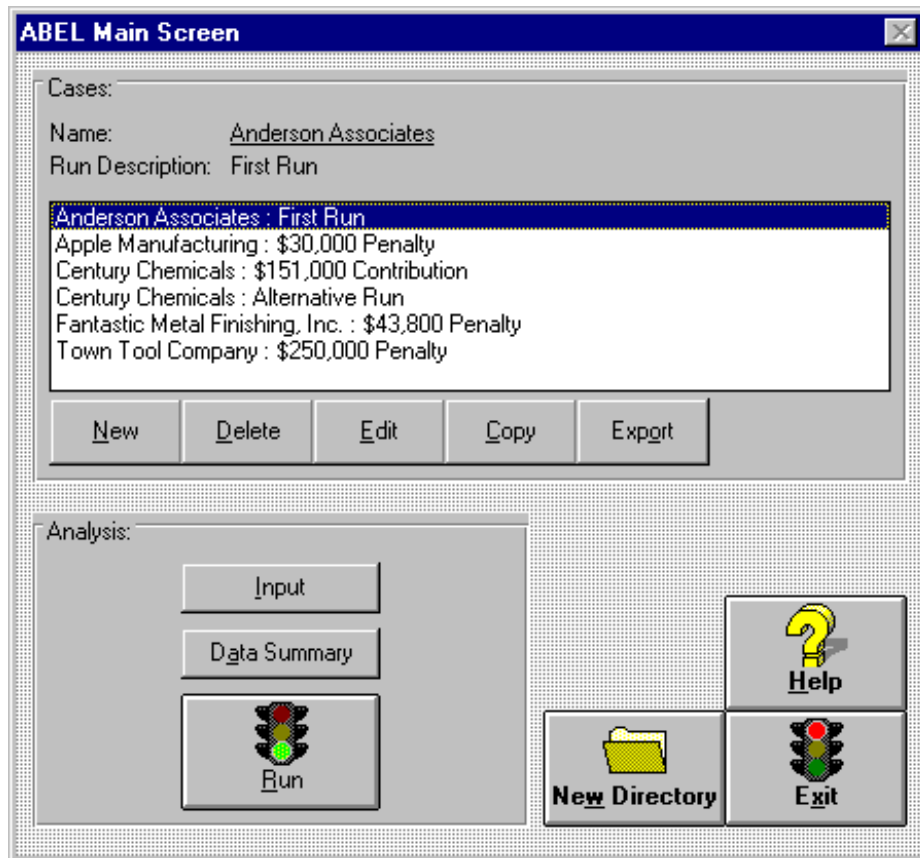
3. Case Description Details Screen

If you are using the model to examine a new case (and clicked the "New" button on the "Main" screen), the "Case Description Details" screen will appear, as shown in Exhibit 3-3. This screen will also appear if you select the "Edit" button on the "Main" screen to change previously entered case-specific information. You must supply case description information for every case. In the top box, provide the following case information:

• **Firm Name:** Provide the name of the firm. The model accepts names up to 40 characters in length.

- **Street Address:** Provide the firm's street or mailing address. The model accepts addresses up to 30 characters in length.[4]

- **City**: Provide the name of the city or town in which the firm is located. The model accepts names up to 20 characters in length.

- **State**: Provide the state in which the firm is located. Note that you may either type in the first letter of the standard two-letter abbreviation and click the appropriate state beginning with that letter in the menu bar, or click the downward arrow key to the right of the input box (i.e., menu bar) to trigger a menu listing the abbreviations of all 50 states and the District of Columbia.

- **Zip**: Provide the firm's 5-digit zip code.

- **No. of Years of Tax Info**: Enter the number of years of tax information submitted by the firm.

- **Most Recent Year of Tax Info**: Enter the year of the most recent tax form submitted by the firm (e.g., 1996). Note that you should enter the year in 4-digit form, not 2-digit.

- **Data Entry (Thousands, Millions, etc.)**: Enter the units in which you are going to enter the data: dollars, thousands of dollars, or millions of dollars. It often expedites the data entry process to round numbers when possible. Remember, however, to maintain consistency with all inputs. For example, if one of the firm's data items was $11,289 and you wish to enter the data in thousands, you would enter **11** into the ABEL program.

- **Type of Entity**: Enter the type of firm you wish to analyze. This information is available on the firm's income tax returns. A C-Corporation may file either Form 1120 or Form 1120 A. (You will be asked to specify which form the firm filed after clicking "C corporation".) An S corporation files Form 1120 S, and a partnership files Form 1065. [5]

---

[4] For confidentiality reasons, ABEL does not require the user to enter information about a firm's street address, city, state, or zip to run an analysis.

[5] If you select the incorrect type of entity on the "Case Description Details" screen, you cannot alter this selection after you exit the screen. If you realize that you selected the wrong type of entity for a specific case, you should copy the case on the "Main" screen. After copying the case, select the new file, click "Edit," and select the circle next to the appropriate type of entity. If you then select "Input" for tax return information, you will see that ABEL restores the data already entered for the case. Then, carefully review your data input to make sure that your entries correspond to the correct line on the firm's tax returns. You may then choose to delete the incorrect

Exhibit 3-3

"CASE DESCRIPTION DETAILS" SCREEN

In the example displayed in Exhibit 3-3, the firm, Town Tool Company, is located at 135 Silver Street, Suite 500 in Denver, Colorado. The firm submitted four years of income tax forms of which the most recent was its 1996 tax form.

Next, provide the information requested in the lower portion of the "Case Description Details" screen:

- **Name**: Enter your name (or initials).

- **Statute**: Enter the statute involved in your case's enforcement action by clicking the downward-pointing arrow to view and select the relevant statutes

_____

case file.

or "Other." Because ABEL analyzes Superfund and non-Superfund cases differently, you are required to specify a statute. Click your choice.

- **Run Description:** If you would like to perform multiple analyses of a firm, enter a description here which identifies the unique characteristics of this run. By doing so, you can copy the case under the same firm name and use varying run descriptions to differentiate each version of the case.

As Exhibit 3-3 shows, Town Tool Company is liable under the RCRA statute. The description for this case is "$250,000 Penalty."

After entering the data for the "Case Description Details" screen, click the "Continue" button. The program will issue the prompts shown in Exhibit 3-4 to confirm your data inputs. The first screen prompts: "You have made changes to this case. Would you like to save them?" By clicking "Yes," your data will be saved. Clicking "No" will erase the data you have entered and return you to the "Main" screen. After you click "Yes" to save your data inputs, ABEL will ask you to select the type of tax return the firm submits to the IRS.

You can determine whether the firm submits Form 1120 or 1120 A by looking in the upper left hand corner of the firm's tax return. Note that this choice only applies to C corporations. In the case of Town Tool Company, the firm submits Form 1120 to the IRS. Finally, ABEL asks you to verify the name of the firm and the type of tax return it submits on the last screen in Exhibit 3-4. Selecting "Yes" will bring you back to the "Main" Screen (Exhibit 3-2). Selecting "No" will bring you back to the "Case Description Details" Screen.

Exhibit 3-4

"CASE DESCRIPTION DETAILS" CONFIRMATION SCREENS
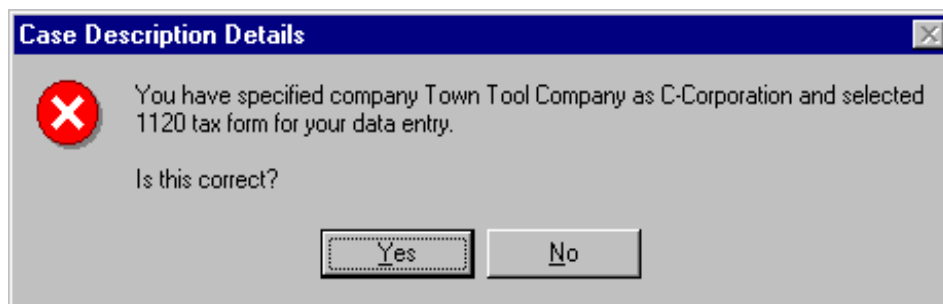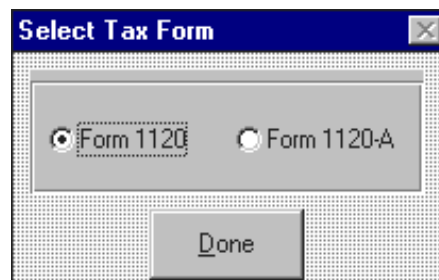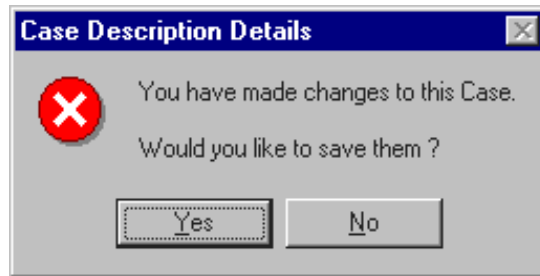
B.   DATA ENTRY SCREENS

You may now enter data from the firm's tax forms. Click the "Input" button on the "Main" screen to begin.
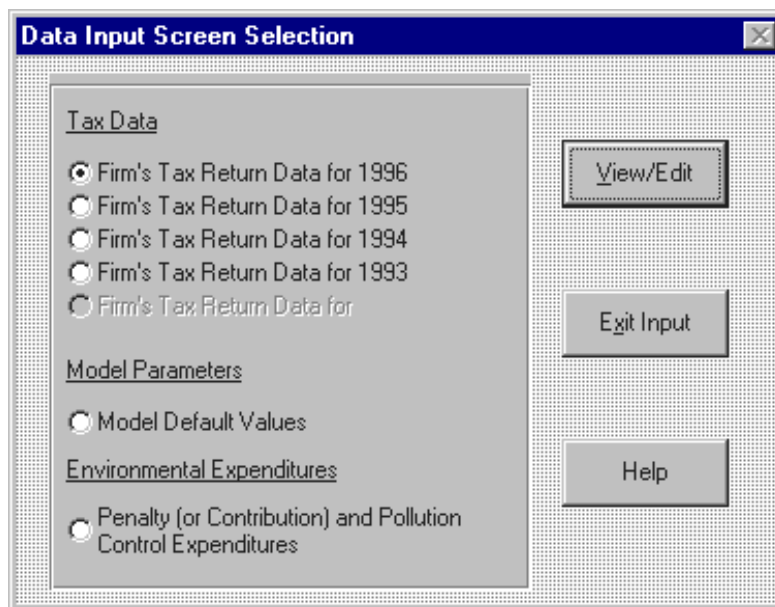
1.   Data Input Screen Selection Screen

When you click the "Input" button, the "Data Input Screen Selection" screen will appear, as shown in Exhibit 3-5. This screen lists the different types of information you must enter in order to conduct an analysis. Entering all of this information typically takes 20 to 30 minutes. The screen

separates the information into three categories according to its source -- federal income tax form; model parameters; and case specific details not located on the firm's tax forms. You must enter the tax form and environmental expenditures information. For a new case, you may begin entering the firm's financial data in any order (i.e., you may enter "Environmental Expenditures" first, if desired). For an existing case in which you are changing or correcting an input, simply click the particular piece of information you would like to edit.

Exhibit 3-5

"DATA INPUT SCREEN SELECTION" SCREEN

2.   Tax Form Input Screens

Under the Tax Data category on the "Data Input Screen Selection" screen, select the year for which you want to enter tax data for the firm. After selecting a year to analyze, ABEL will issue a screen that reminds you which dollar units you specified to enter the data. Click "OK" to continue. The "tax form" screens will appear, as shown for 1996 in Exhibits 3-6 through 3-8.[6] Fill in the firm's tax details for the appropriate year as requested in the series of boxes. For easy reference, each input

---

[6] Note that the tax data entry screens appear almost identical for years prior to 1996. However, specific references to the line on which the data can be found may very slightly since the format of tax returns may change year to year.

request lists the corresponding line on the tax form containing the required information.[7] After completing the tax data inputs for a particular year, save your data and move to the next screen by clicking the "Continue" button. In the example shown in Exhibit 3-6, Town Tool's gross receipts or sales less returns and allowances from Line 1c of its 1996 income tax form was $1,166,708. The firm claimed $60,085 in depreciation (Line 20) in 1996 and earned $2,023 in taxable income (Line 28) before operating loss deductions. Exhibit 3-7 illustrates that Town Tool had $61,247 in cash (Line 1 on Schedule L, Column d) at the end of 1996, and Exhibit 3-8 shows that the firm had outstanding loans from stockholders of $53,420 (Line 19 on Schedule L, Column d) at the end of 1996.

All inputs will have direct references to specific line-items on the tax returns, with the exception of amortization. Tax returns do not contain a specific line for amortization. The user must review the attachments to the returns for this information.[8] In most cases, this expense will appear in the attachment to line 26, "other deductions," on Form 1120. It may also appear in the attachments to Schedule A, "cost of goods sold." Note that only a small portion of firms will have any amortization expenses.

After you have clicked the "Continue" button, another set of "tax form" screens will appear for the next year of tax data. Continue entering each year's data. When you click the "Continue" button after all tax data have been entered for all years, the program will automatically show the input screen for the second input category: model default values.

---

[7] Note that the screens shown in this manual prompt you for information from Form 1120, since this is an example of a C corporation. The model will automatically provide adjusted prompts for cases involving S corporations or partnerships. See Chapter 6 for alternative tax data input screens.

[8] Amortization in addition to cost of goods sold are inputs that were not included in the DOS version of the ABEL model. Cost of goods sold was added to enable the model to calculate a firm's operating profit on the Income Statement. Operating profit is an important indicator of the health of a firm's core business operations. Amortization, the process of liquidating the cost of an asset, was added to enable the model to compute a firm's historical cash flows on the Income Statement. Amortization, like depreciation and depletion, is a non-cash expense that is added back to a firm's claimed net income to compute its historical cash flows.

Exhibit 3-6

"TAX FORM" FIRST SCREEN

1120 Tax Form for 1996

Gross Receipts or Sales Less Returns and Allowances (Line 1c)	$1,166,708
Cost of Goods Sold (Line 2)	$828,566
Interest Expense (Line 18)	
Depreciation (Line 20)	$60,085
Depletion (Line 22)	
Amortization (See Attachment to Line 26, "Other Deductions;" also review other attachments for declared amortization expenses)	
Taxable Income Before NOL and Special Deductions (Line 28)	$2,023
NOL Deductions (Line 29a)	
Special Deductions (Line 29b)	
Total Tax (Line 31)	$303
Credit From Regulated Investment Companies (Line 32f)	
Credit for Federal Tax on Fuels (Line 32g)	

[Continue]   [Cancel]   [Help]

Exhibit 3-7

"TAX FORM" SECOND SCREEN

1120 Tax Form for 1996 Continued...

Cash (Line 1 on Schedule L, Column d)	$61,247
Trade Notes and Accounts Receivable Less Allowance for Bad Debts (Line 2b on Schedule L, Column d)	$197,831
Inventories ((Line 3 on Schedule L, Column d)	$10,631
U.S. Government Obligations (Line 4 on Schedule L, Column d)	
Tax-Exempt Securities (Line 5 on Schedule L, Column d)	
Other Current Assets (Line 6 on Schedule L, Column d)	$3,447

[Continue]   [Cancel]   [Help]

Exhibit 3-8

"TAX FORM" THIRD SCREEN


```
1120 Tax Form for 1996 Continued...                              ☒

   Accounts Payable (Line 16 on Schedule L, Column d)        $15,885

   Mortgages, Notes, Bonds Payable in Less Than One Year (Line
   17 on Schedule L, Column d)

   Other Current Liabilities (Line 18 on Schedule L, Column d)  $57,023

   Loans from Stockholders (Line 19 on Schedule L, Column d)    $53,420

   Mortgages, Notes, Bonds Payable in One Year or More (Line 20
   on Schedule L, Column d)

   Other Liabilities (Line 21 on Schedule L, Column d)

   Appropriated Retained Earnings (Line 24 on Schedule L, Column
   d)

   Unappropriated Retained Earnings (Line 25 on Schedule L,     $238,275
   Column d)

   Total Liabilities and Stockholders' Equity (Line 27 on Schedule L,  $464,603
   Column d)

   Income Recorded on Books Not Included in Return (Line 7 on
   Schedule M-1)


          Continue            Cancel            Help
```

3. <u>Model Default Values Screen</u>

The "Model Default Values" screen is shown in Exhibit 3-9. Consistent with EPA policy, certain predetermined default (or standard) values are programmed into the model in order to produce ability to pay conclusions. ABEL's standard values are updated yearly to reflect changes in interest rates and tax laws, although the method for calculating the value remains the same.   You should not adjust these values unless you are prompted to do so later in the model or you have case-specific values. These values and their applications are discussed in Chapter 4.

Exhibit 3-9

"MODEL DEFAULT VALUES" SCREEN

Model Parameters dialog box showing:
- Reinvestment Rate: 0
- Annual Inflation Rate (%): 3.1
- Discount Rate (%): 10.5
- Weighted Average Smoothing Constant: 0.3
- Marginal Income Tax Rate (%): 39.4
- Number of Years of Future Cash Flow to consider in Ability to Pay Assessment: 5
- Penalty Payment Schedule (2, 3, 4, or 5 years): [blank]

Note: You do not need to enter a value for the Penalty Payment Schedule if you intend to have the firm pay the penalty in one lump sum.

[Continue] [Cancel] [Help]

4.   Environmental Expenditures Screen[9]

In order to perform its analysis, ABEL requires additional information in some cases. The "Environmental Expenditures" screen is shown in Exhibit 3-10. The screen prompts you to enter the following information:

---

[9] This presentation illustrates the screens the user will encounter for an ABEL run involving a violation for any statute except a Superfund case. For a complete explanation of a Superfund ABEL run, please consult Chapter 5.

- **Pollution Control Investment Date or Penalty Payment Year:** Enter the date on which the environmental expenditures or penalties are to be paid. You must enter four digits for the appropriate year (e.g., enter 1996, instead of 96). If you have a case in which the violator will pay the penalty in annual installments (i.e., penalty payment schedule is greater than 1 year), you should enter the year in which the firm will make its *first payment* as the penalty payment year.

- **Proposed Lump-Sum Settlement Penalty:** Enter the amount of the proposed lump-sum settlement penalty. If this figure is unavailable or you would like to assess the maximum amount of money the firm will generate over the next five years, enter zero.

- **Depreciable Capital Cost of New Investment:** If the firm will be required to make an investment in pollution control equipment, enter the initial capital cost of that investment and the year-dollars in which it is expressed. Depreciable expenditures usually apply to tangible items that wear out over a number of years, such as a groundwater monitoring system or an air pollution control device. The depreciable capital cost should include the purchase cost of the equipment as well as the installation costs. This value should not include non-depreciable costs associated with the new investment, such as the purchase of land. If the depreciable capital cost value is an estimate of the current costs of installing new equipment, the estimate is probably in this year's dollars. If an estimate was made in an earlier year, consult the source of this estimate to determine when it was made. If none of the firm's pollution control investment costs are for depreciable items, enter zero.

- **Non-Depreciable, Non-Tax-Deductible One-Time Costs:** Enter any costs associated with a new pollution control investment that are not depreciable, and cannot be deducted for tax purposes. One common non-depreciable cost is the purchase of land. Also enter the year-dollars in which these costs are measured. Enter a zero if this cost category is not applicable.

- **Non-Depreciable, Tax-Deductible One-Time Costs:** Enter costs that are not depreciable but may be deducted from taxable income. This category includes one-time costs such as funding a site cleanup, establishing a record keeping system, or training employees. Also enter the year-dollars of these costs. Enter zero if the category is not applicable.

- **Annual Costs:** Enter any annual, recurring costs associated with operating and maintaining the required pollution control equipment or monitoring a

site. Also, include the year-dollars in which the costs are expressed. The figure in this category should reflect the average annual <u>incremental</u> costs associated with monitoring and/or maintaining the required environmental equipment. These costs include any changes in the costs of labor, power, water, raw materials and supplies, recurring training of employees, insurance premiums and any change in annual property taxes. The value of operating and maintenance (O&M) credits should also be considered in estimating the annual incremental costs. O&M credits represent actual O&M cost savings such as heat recovery and product or byproduct recovery. For example, the installation of new pollution control equipment may reduce certain costs (such as sludge disposal) that were associated with operations during the period of noncompliance. If the resulting incremental O&M cost is negative (i.e., there is a net cost savings from the new pollution control equipment), the negative figure may be used in ABEL. The annual costs should also reflect any annual lease payments for pollution control equipment. However, the annual costs should not include annualized capital recovery, interest payments, or depreciation. If there are not any annual costs, enter zero.

In the example shown in Exhibit 3-10, EPA seeks a $250,000 penalty payment from Town Tool for its alleged RCRA violations. Town Tool also must invest $20,000 in depreciable capital equipment. After completing these inputs, click the "Continue" button.

Exhibit 3-10

"ENVIRONMENTAL EXPENDITURES" SCREEN

5. **Review of Inputs**

After clicking the "Continue" button on the "Environmental Expenditures" screen, the "Data Input Screen Selection" screen will reappear (see Exhibit 3-5). If you wish to review or edit any of your inputs, click the appropriate row and then click the "View/Edit" button. The most effective means of verifying data inputs, however, is the data summary function on the "Main" screen (see Exhibit 3-2). Click the "Exit Input" button on the "Data Input Screen Selection" screen (see Exhibit 3-5) to return to the "Main" screen. Then click the "Data Summary" button. The "Data Summary" screen will appear as illustrated in Exhibit 3-11.

The "Data Summary" screen summarizes the information you entered from the firm's tax forms. Use the arrow keys at the bottom and on the left side of the screen to scroll through the information. If you wish to print this summary, click the "Print" button. You may also click the "Help" button for an explanation of the summary screen. Clicking the "Return" button will bring you back to the "Main" screen. Click "Next" to view the "Environmental Expenditures Summary" screen. This screen allows you to review information entered on the "Environmental Expenditures" screen. Click "Print" to print the summary. Click "Help" for more information. Click "Return" to return to the "Data Summary" screen, or click "Exit" to return to the "Main" screen.

Printing your data summary is the best method of verifying data inputs. Carefully cross-check the printed data summary with the firm's tax forms. To correct any errors, proceed to the "Main" Screen (i.e., Exhibit 3-2) and select "Input." From the next screen ("Data Input Screen Selection" shown in Exhibit 3-5), you can select the particular data item that needs correction.

Exhibit 3-11

"DATA SUMMARY" SCREENS

Data Summary

Year	1996	1995	1994
Gross Receipts or Sales Less Returns and Allowances	1166708	1118814	925914
Cost of Goods Sold and/or Operations	828566	890456	744846
Interest Expense	0	0	360
Depreciation	60085	52075	49631
Depletion	0	0	0
Amortization	0	0	0
Taxable Income Before NOL and Special Deductions	2023	16580	1910
NOL Deductions	0	0	0
Special Deductions	0	0	0
Total Tax	303	2487	287
Credit From Regulated Investment Companies	0	0	0
Credit for Federal Tax on Fuels	0	0	0
Cash	61247	76316	39378
Trade Notes and Accounts Receivable Less Allowance for Bad Debts	197831	175573	187016
Inventories	10631	11653	33810
U.S. Government Obligations	0	0	0
Tax-Exempt Securities	0	0	0
Other Current Assets	3447	3655	4844
Accounts Payable	15885	19023	15096
Mortgages, Notes, Bonds Payable in Less Than One Year	0	0	12000

Return   Next   Print   Help

Environmental Expenditures Summary

|	Amount	Year
Investment or Penalty Payment Year		1997
Lump-Sum Settlement Penalty	250000	
Depreciable Capital Cost	20000	1997
Non-Depreciable, Non-Tax-Deductable Capital Costs		
Non-Depreciable, Tax-Deductable One-Time Costs		
Annual Costs		

Return   Previous   Print   Help

C.   ANALYSIS AND OUTPUT

To execute the ABEL analysis, you must access the "Main" screen (i.e., Exhibit 3-2). From the "Main" screen, click the "Run" button to perform an ability to pay analysis. After clicking "Run," the "Reports in Generation Screen" will appear as shown in Exhibit 3-12. You have the choice to generate output for only Financial Profile results or Ability to Pay Analysis, or both. Simply select the option you desire by clicking on the appropriate line. You can generate output to either the screen or the printer. If you wish to generate the reports to the screen, select "Screen" and click "Generate." If you wish to print your reports directly, without viewing them on the screen, select "Printer" and click "Generate." Should you wish to stop generating the results after selecting "Generate," click the red "Stop" sign in the bottom corner of the screen.

You may view the Financial Profile report, the Ability to Pay Analysis, and the "Reports in Generation" screen by toggling between them. If you are running ABEL in Windows^{TM} 3.x, use the "Alt" and "Tab" keys on your keyboard. If you are running ABEL using Windows^{TM} 95, use the relevant toggle bottons at the bottom of your screen. After you have completed your analysis, return to the "Reports in Generation" screen and click "Exit;" and ABEL will return you to the "Main" Screen. For more information about how to interpret ABEL results, please consult Chapter 4.

Exhibit 3-12

"REPORTS IN GENERATION" SCREEN
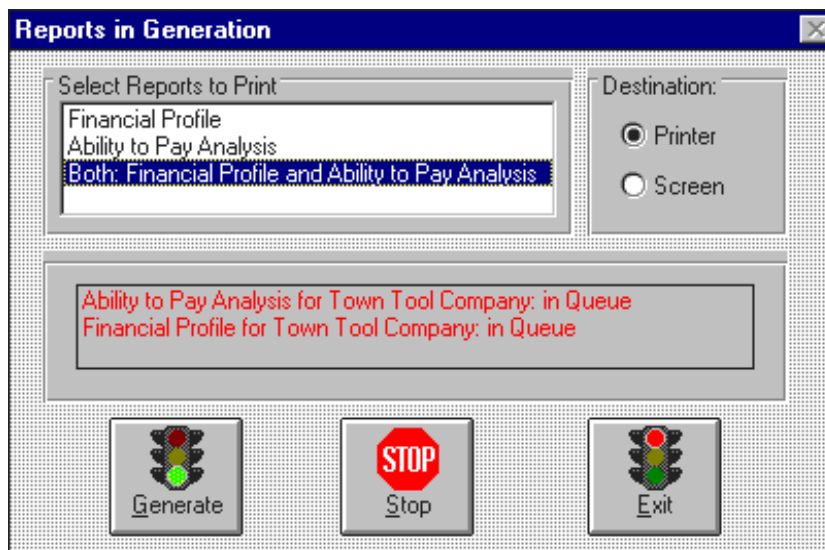
Exhibit 3-13

"PART 1 REPORT" SCREEN[10]

<div style="text-align:center">A   B   C   D   E   F</div>

		1996	1995	1994
Financial Profile				
In Dollars				
Town Tool Company				
C Corporation. Tax Form 1120				
Run Description: $250.000 Penalty				
Balance Sheet				
Assets				
Cash		$ 61,247	$ 76,316	$ 39,378
Accounts Receivable		$ 197,831	$ 175,573	$ 187,016
Inventories		$ 10,631	$ 11,653	$ 33,810
U.S. Government Obligations		$ 0	$ 0	$ 0
Tax-Exempt Securities		$ 0	$ 0	$ 0
Other Current Assets		$ 3,447	$ 3,655	$ 4,844
All Other Assets*		$ 191,447	$ 144,007	$ 106,522
Total Assets		$ 464,603	$ 411,204	$ 371,570
Liabilities				
Accounts Payable		$ 15,885	$ 19,023	$ 15,096

Title bar: Financial Profile for Town Tool Company Report

Toolbar: 1 of 1+   Total:4   100%   4 of 4

Date: 2/14/98

---

[10] Note that the letters above the screen do not appear on your version of ABEL 1998 (e.g., A through F). The letters were added as an aid for discussion purposes only.

Exhibit 3-13 illustrates Part 1 of an ABEL report as generated to the screen. To understand how to move about the screen, please refer to the letters above the screen. The arrow under "A" allows you to move from the page of the report you are currently viewing to the next page in sequence (i.e., you may move from page 1 of the report to page 2). The arrow under "B" allows you to move from the page you are currently viewing to the last page of the report. Note that the two arrows in the upper left hand side of the screen work in exactly the opposite direction. The printer box below "C" allows you to print your results directly. You may specify whether you wish to print all pages or a selection of pages. The envelope under "D" allows you to export the case output into another computer program. This feature exports the output as a text file (i.e., not including the calculations). To use this feature, click on the box under "D" and select the format in which you wish to save the file as well as the destination directory. The box under "E" allows you to adjust the magnification under which you review your results. Finally, the boxes under letter "F" allow you to minimize or maximize your results. Depending upon your particular computer, these boxes may also appear as arrows, but work the same. You may move about the Part 2 Reports in exactly the same manner.

When you finish reviewing your analysis, click the "Exit" button contained in the "Reports in Generation" screen (i.e., Exhibit 3-12) to return to the "Main" screen (i.e., Exhibit 3-2). You may now begin a new ability to pay analysis or exit the program entirely by clicking the "Exit" button.

D. MODIFYING MODEL RUNS AND EXPORTING CASES

After completing an ABEL analysis, you can either end the session or conduct a second calculation of the firm's ability to pay using different input variables. This section outlines the procedure for changing data inputs and the model's default values after you complete your initial run.

1. Modifying Data Inputs and Default Values

Three different kinds of input can be changed in the ABEL model: 1) data entered from the firm's tax forms; 2) the default values the model uses to analyze the firm's financial data; and 3) the penalty amount sought by EPA. Changing any of these values is simple within the ABEL Model's format, as follows:

- From the "Main" screen (i.e., Exhibit 3-2), select the particular case you would like to modify (i.e., Town Tool Company).

- Click the "Edit" button to bring up the "Case Description Details" screen (i.e., Exhibit 3-3). At a minimum, change the "Run Description" located at the base of the screen so it describes the particular modification(s) of your new run. Also, make any other changes you would like reflected on this screen in the new run, such as the number of years of tax information.

- If you want to change data input, click the "Input" button. Then, within the input screens find the data you want to change by clicking the "View/Edit" button for the appropriate screen. Note that you do not have to scroll through data you have already entered; for example, if you need to review the oldest year of tax data, you do not have to first examine the more recent years of data. Instead, you can select the specific year of data you need to edit in the tax data screen.

- After altering your data, you must re-run the ABEL analysis to view the results of your changes on the firm's financial status and ability to pay.

If you want to change the model's default values, select the model's "Model Default Values" screen from the "Data Input Screen Selection" screen (i.e., Exhibit 3-5) and click the "View/Edit" button. The "Model Default Values" screen (i.e., Exhibit 3-9) will appear, allowing you to change the default values.

If you want to change the penalty amount, select the model's "Environmental Expenditures" screen from the "Data Input Screen Selection" screen (i.e, Exhibit 3-5) and click the "View/Edit" button. The "Environmental Expenditures" screen (i.e., Exhibit 3-10) will appear, allowing you to change the penalty amount.

When you are finished, click the "Continue" button to save the new values and move to the next screen. Now the model will use the newly input values to re-calculate the firm's ability to fund a penalty or contribution. To view the new results, re-run the ABEL analysis by clicking the "Run" button on the "Main" screen.

2.   Multiple Analyses of a Firm

Under some circumstances, you may wish to examine the sensitivity of the model's results to changes in particular data inputs or default values. For example, if a firm projects that its income will be significantly different in the future than in the recent past (as reflected on the federal income tax forms), you may want to see how much the model's results change when this new income information is used.

To conduct multiple (sometimes termed "sensitivity") analyses of the same firm using the ABEL Model, you can copy the initial case file for the firm. This copy contains all of the case's original data inputs and default values. You can then rename and modify the case for the sensitivity analysis. The steps to do so are as follows:

- Go to the "Main" screen of the model (i.e., Exhibit 3-2).

- Select the existing case for which you would like to conduct a sensitivity analysis. For example, select the "Town Tool Company" case shown in Exhibit 3-2.

- Click the "Copy" button. This selection will trigger a message stating "Are you sure that you want to create a duplicate case Town Tool Company?" Click "Yes." The model will then issue a message stating "The new case will be titled Town Tool Compan_NEW." Click "OK" and the new case will appear on the screen.

- At this stage, you may wish to alter the case name, "Town Tool Compan_NEW." To do so, click "Town Tool Compan_NEW" to select this case. Then click the "Edit" button to pull up the "Case Description Details" screen (i.e., Exhibit 3-3). You may then alter the name (e.g., change it to "Town Tool Company 2" to indicate that it is version 2 of the Town Tool case). You may also wish to delete the "__NEW" from the case name and change the run description so that you have two cases with the same firm name but unique descriptions.

- Follow the instructions above in Section D.1 to then change a particular input or model default parameter.

- If you plan to run a large number of sensitivity analyses for a particular case, you should create and use a separate output directory (as specified in the "Welcome" screen shown in Exhibit 3-1) to store the case files for that firm.

3. <u>Modifying the Number of Years of Tax Return Information</u>

If you receive the most recent year of tax return information for a firm you analyzed in the past, you may wish to alter an existing case file to update your analysis. Select the case by name on the "Main" screen and click "Edit." Change the "Number of Years of Tax Info" and the "Most Recent Year of Tax Info" on the "Case Description Details" screen to reflect the new information. If you already have 5 years of tax return information, you may simply change the "Most Recent Year of Tax Info." This will allow you to enter the new information and will **permanently delete** the tax return information from the least recent year. If you think you may need the tax return information for the least recent year in future analyses, you should copy the case file on the "Main" screen prior to making any changes to the tax return information on the "Case Description Details" screen.

In certain case-specific situations you may wish to consider only a few years of a firm's tax return information in an ability to pay assessment. For example, if you entered 5 years of tax return data and then learn from the violator or the attorney involved in the matter that only the most recent three years of financial information accurately reflect the firm's future financial condition, you may decide to change the "Number of Years of Tax Info" to 3 years. In this case you should change the "Number of Years of Tax Info" from 5 to 3 on the "Case Description Details" screen to only consider the firm's tax return information from the most recent 3 years. When changing this figure, data from the 2 least recent years will be **permanently deleted**. If you think that you may wish to access this data again in the future you should copy the case file prior to making any changes to the "Number of Years of Tax Info."

4.   Exporting Cases

You may wish to transfer a particular case file to another analyst so that he or she can further evaluate the case without re-entering all of the data. Likewise, you may wish to transfer a group of cases concerning one firm to a separate directory designated for that firm. The steps to export a case are as follows:

•   Go to the "Main" screen of the model (i.e., Exhibit 3-2).

•   Click the "Export" button to pull up the "Select Cases for Export" screen, as shown in Exhibit 3-14. Then select the case or cases you wish to export by clicking their names (or clicking the "Select All" button to select all of them).

•   Specify the export "Destination Directory."   The model automatically displays the directory you initially specified when you entered the program in the "Welcome" screen (i.e., Exhibit 3-1). *You must specify a different directory to which you will export the cases from the one you are currently using.* For example, if you want to export the cases to a floppy disk, specify either the a:\ or the b:\ drive, as appropriate. Alternatively, if you want to export the case(s) to a new subdirectory within your current directory, click "Create New Subdirectory." You may then enter the name of the new subdirectory (e.g., Full Destination for Export) that you wish to create.

•   After you have entered the appropriate directory destination and highlighted the cases you wish to export, click the "Export" button. A message will appear stating "Exporting cases to [destination directory selected]. Continue?" Click the "Yes" button. A message affirming that your cases have been transferred will now appear. Click "OK."

After exporting the case files, you must click the "Close" button in order to return to the "Main" screen. Note that when you examine the contents of the destination directory to which the case(s) were exported, it contains the ABELCASE.MDB file storing the cases.

To access the exported cases in the destination directory, the user must specify the destination directory as the output directory on the "Welcome" screen of the model. If the analyst wishes to transfer these cases again, into another directory, he or she may use the procedure noted above to export the case file again. Alternatively, the analyst can copy the case file "ABELCASE.MDB" to a different directory using the Windows[TM] File Manager.

Exhibit 3-14

"SELECT CASES FOR EXPORT" SCREEN